



QUANTITATIVE STRATEGIES

Aussie Supers Embrace Convex Hedging, QIS Overlays As Governance Matures

JUL 28, 2025

- There's a real need for external partners who can offer depth in systematic, scalable solutions
- Some superannuation funds are expected to grow their assets by as much as 40-to-60% by 2030, pushing them beyond off-the-shelf products



By **Georgia Reynolds**,
editor

Australia's fast growing superannuation funds are increasingly exploring derivatives and systematic investment strategies as their internal governance frameworks mature, enabling them to better assess, manage and integrate more complex, capital-efficient solutions, such as QIS overlays and tail risk hedging strategies into their portfolios.

While internal resources remain limited, the scale and complexity of these funds are prompting an increased reliance on external managers with capabilities in quantitative investment strategies and capital efficient hedging. "Australian supers are finally consolidating governance structures

Ciszewski, portfolio manager at USD2.5 billion Ellerston Capital in Sydney.

“There’s a real need for external partners who can offer depth in systematic, scalable solutions,” he said, highlighting growing appetite for protection strategies that can perform across market cycles.

Tail risk overlays that minimize carry costs during bull markets are drawing particular interest. In April, Ellerston implemented a dedicated tail risk strategy for an internal fund that targets drawdown protection without the high bleed typically associated with systematic long volatility exposure in equity indices. “The challenge for institutional investors is paying for an insurance policy that is more expensive through the market cycle than the drawdown costs [the] portfolio.”

Dynamically sizing risk between convex and volatility carry strategies can generate positive accruals that pay for the portfolio insurance, he said. An example would be pairing equity corridor down variance with shorter dated equity index volatility carry in the S&P 500 or Euro Stoxx 50. “QIS strategies are tools that can generate a desired payoff but must be actively managed with overlays and other opportunistic trades. Timing implementation to avoid poor entry points post volatility spikes and transparency to monitor strategy positioning changes are essential when managing an ARP base portfolio,” he said.

Ciszewski said the strategy has weathered the recent equity market rally with negligible drawdown. He said the strategy has already attracted attention from local supers seeking sustainable hedging frameworks amid heightened market uncertainty.

Some superannuation funds are expected to grow their assets by as much as 40-to-60% by 2030, driven by compulsory contributions and organic member growth, he said. That scale is pushing them beyond off-the-shelf products, such as buying puts systematically that target an annual premium spend, and toward more complex, bespoke and locally supported strategies. “Being onshore matters,” Ciszewski said, adding, “Supers want access to actual investment professionals, not just offshore distribution teams.”

Australia’s supers could create meaningful opportunities for managers with expertise in derivatives and systematics. Ellerston is currently pursuing mandates for its global alternative risk premium product, which spans equities, fixed income, foreign exchange and commodities and uses systematic QIS overlays sourced through investment bank partners. Conversations are underway with local super funds as well as a potential seed investor.

In October, the firm launched a fixed income strategy using local Australian bonds as a base, enhanced with QIS overlays executed in partnership with global investment banks. The internally seeded fund is targeting a broader wholesale rollout once its track record matures. He said QIS overlays, yield curve carry, momentum and forward volatility allow for tactical and systematic risk taking without compromising the fund’s capital efficiency. Potential investor interest is greater than USD646 billion.

SHARE THIS ARTICLE



RELATED ARTICLES

Asia Vol Markets Draw Global Demand For Alpha And Protection

Australian Supers Ramp Up Global Derivatives, QIS Strategies To Tackle Liquidity And Macro Uncertainty

Aussie Supers Eye Commodities For Diversification

Aussie Investors Lean On U.S. Derivatives For Alpha Generation, Risk Management

LATEST NEWS

- [Morgan Stanley Eyes Diversified Volatility Carry Trades, Efficient Hedging To Boost Returns](#)
- [Aussie Supers Embrace Convex Hedging, QIS Overlays As Governance Matures](#)
- [Asset Management One Sharpens Vol Overlay Framework To Match Regimes, Meet Client Demand](#)
- [Until The Music Stops - The Weekly](#)
- [BMO Capital Markets Scales Equity Derivatives, QIS Operations With Senior Hires](#)

©2025 EQDerivatives, Inc

SUBSCRIPTIONS

- [Account settings](#)
- [Log out](#)

SOCIAL

- [X](#)
- [LinkedIn](#)

LEGAL

- [Terms & conditions](#)
- [Privacy policy](#)